

Fiscal 2021

Fourth Quarter & Fiscal 2021 Results

October 14, 2021



Walgreens Boots Alliance

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Safe harbor and non-GAAP

Cautionary Note Regarding Forward-Looking Statements: This presentation and the related discussion contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These include, without limitation, any statements regarding WBA's future operations, financial or operating results, capital allocation, anticipated debt levels and ratios, future earnings, planned activities, anticipated growth, market opportunities, strategies, competition, the potential impacts on our business of the spread and impacts of the COVID-19 pandemic, our cost-savings and growth initiatives, including statements relating to our expected cost savings under our Transformational Cost Management and store optimization programs and other expectations and targets for future periods. Words such as "expect," "outlook," "forecast," "would," "could," "should," "can," "will," "project," "intend," "plan," "goal," "guidance," "target," "aim," "continue," "transform," "accelerate," "model," "longterm," "believe," "seek," "estimate," "anticipate," "may," "possible," "assume," and variations of such words and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, that could cause actual results to vary materially from those indicated or anticipated.

These risks, assumptions and uncertainties include those described in Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended August 31, 2021 and in other documents that we file or furnish with the Securities and Exchange Commission. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. All forward-looking statements we make or that are made on our behalf are qualified by these cautionary statements. Accordingly, you should not place undue reliance on these forward-looking statements, which speak only as of the date they are made.

We do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this release, whether as a result of new information, future events, changes in assumptions or otherwise.

Non-GAAP Financial Measures: Today's presentation includes certain non-GAAP financial measures, including all measures whose label includes the words "adjusted", "constant currency", or "free cash flow" or variations of such words and similar expressions, and we refer you to the endnotes on page 17 and the Appendix to the presentation materials for reconciliations to the most directly comparable U.S. GAAP financial measures and related information. The Company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the Company's control or cannot be reasonably predicted, and that would impact the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures may vary materially from the corresponding GAAP financial measures.

These presentation materials and the appendix hereto are integrally related and are intended to be presented, considered and understood together.



WBA Financial Performance



FY21 and 4Q financial highlights

- **Strong finish to the year, exceeded expectations**
- **4Q continuing operations adj. EPS \$1.17, +28.1% above prior year in constant Fx**
- **FY21 continuing operations adj. EPS \$4.91, +13.7% above prior year in constant Fx**
 - Includes 34.6 million doses of COVID-19 vaccines administered in the U.S.
- **Strong cash generation and balance sheet de-levered**
 - FY21 operating cash flow \$5.6bn and free cash flow \$4.2bn
 - Deleveraged balance sheet by \$6.5bn vs. prior year



FY21 and 4Q financial highlights

- **4Q results reflected strong execution across the board**
 - U.S. comparable scripts +8.8%, boosted by COVID-19 vaccines +485bps; 21% share of 4Q vaccinations
 - U.S. retail comp sales growth +6.2%, +7.2% excl. tobacco & e. cig
 - UK recovery on track and regaining market share
 - Higher gross margins in U.S. pharmacy, U.S. retail and UK
- **Transformational Cost Management Program delivered cumulative annual cost savings of over \$2bn, one year ahead of plan**



Fiscal year financial highlights

Results		FY21	Reported Fx B/(W) vs. FY20	Constant Fx B/(W) vs. FY20
<i>\$ in millions (except EPS)</i>				
Sales (continuing)		\$132,509	+ 8.6%	+ 7.5%
Operating income (continuing)	GAAP	\$2,342	+ 138.4%	
	Adjusted	\$5,117	+ 8.2%	+ 7.7%
EPS - total	GAAP	\$2.93	+ \$2.42	
	Adjusted	\$5.31	+ 11.9%	+ 11.0%
EPS - discontinued	GAAP	\$0.63	+ 101.1%	
	Adjusted	\$0.39	- 13.8%	- 13.8%
EPS - continuing	GAAP	\$2.30	+ \$2.10	
	Adjusted	\$4.91	+ 14.6%	+ 13.7%



4Q financial highlights

<u>Results</u>		4Q21	Reported Fx B/(W) vs. 4Q20	Constant Fx B/(W) vs. 4Q20
<i>\$ in millions (except EPS)</i>				
Sales (continuing)		\$34,262	+ 12.8%	+ 11.8%
Operating income (continuing)	GAAP	\$910	+ 49.7%	
	Adjusted	\$1,236	+ 22.9%	+ 22.1%
EPS - total	GAAP	\$0.72	+ 68.0%	
	Adjusted	\$1.17	+ 14.9%	+ 13.6%
EPS - discontinued	GAAP	\$0.31	+ \$0.27	
	Adjusted	\$0.00	n/a	n/a
EPS - continuing	GAAP	\$0.41	+ 6.4%	
	Adjusted	\$1.17	+ 29.5%	+ 28.1%



United States – financials

<u>Continuing operations</u>				
<i>\$ in millions</i>	4Q21	B/(W) vs. 4Q20	FY21	B/(W) vs. FY20
Sales	\$28,755	+ 6.6%	\$112,005	+ 4.0%
Adj. gross profit	\$6,234	+ 13.7%	\$23,759	+ 5.5%
Adj. SG&A % of sales	17.8%	- 1.0%p	17.2%	- 0.3%p
Adj. operating income	\$1,230	+ 16.4%	\$5,019	+ 5.4%
Adj. operating margin ¹	3.8%	+ 0.3%p	4.0%	+ 0.0%p



United States – pharmacy

4Q21 vs. 4Q20 FY21 vs. FY20	4Q Total	4Q Comparable	FY21 Total	FY21 Comparable
Pharmacy sales	+ 6.7%	+ 8.9%	+ 5.5%	+ 6.7%
Prescriptions	+ 8.6%	+ 8.8%	+ 3.8%	+ 5.0%

- **4Q comparable scripts grew +8.8% boosted by COVID-19 vaccinations +485bps**
 - 13.5 million COVID-19 vaccinations in the quarter; capturing ~21% of U.S. market share
 - Sequential improvement in core Rx performance (excluding immunization) driven by seasonal scripts
- **5.2m COVID-19 tests¹ completed & administered in 4Q**
- **Pharmacy margin increased due to favorable mix from COVID-19 vaccines & testing, partly offset by reimbursement**
- **Higher SG&A to support vaccinations**



United States – retail

4Q21 vs. 4Q20 FY21 vs. FY20	4Q	FY21
Total retail sales	+ 6.5%	- 0.4%
Comparable retail sales	+ 6.2%	+ 1.2%

- 4Q comp. retail sales +6.2%; excluding tobacco +7.2%, improved sequentially with broad based growth across all categories
 - Health and wellness +14.0% driven by late cough cold flu, at-home OTC COVID-19 testing, and vitamins
 - Beauty +12.9% due to improving sales in cosmetics; Personal care +4.3% mainly baby formula
 - Store traffic continued to recover in key markets; transactions +6.7%
- Digitally initiated retail sales increased +82% in 4Q
- FY21 margin expanded ~+60bps vs. prior year driven by improved mix



U.S. operational updates – pharmacy

- Continued progress on modernizing pharmacy operating model
 - iA Rx automated micro-fulfillment centers currently servicing >800 locations
 - On track for nine operational markets by end of FY22
- Village Medical at Walgreens roll-out plans on track
 - 52 locations in 4 markets now delivering enhanced primary care with pharmacy coordinated care offering; >80 by end of CY21
- Rewarded pharmacy team members for critical role in fighting the pandemic
- Expanding testing & diagnostics business



U.S. operational updates – retail

- **Customer Engagement Platform learnings continuously enhancing personalized offerings**
 - myWalgreens membership +13% vs. 3Q21 to ~85m members to date
 - Mass personalization boosted 4Q retail sales comps by ~40bps
- **Omni-channel offerings accelerating**
 - Digitally initiated sales ~5% of retail sales in 4Q, up 2x vs. 1Q20
 - Curbside & drive thru pick-up contributing to strong digital growth; ~9m orders completed to date
 - 3.3m same-day transactions completed in 4Q, up +22% vs. 3Q21
- **Alternative profit streams**
 - Launched ‘Scarlet’ bank account & debit card nationwide, online and via Walgreens mobile app in September
 - Promotes financial security and provides rewards



International – financials

<u>Continuing operations</u>		Constant Fx		Constant Fx
<i>\$ in millions</i>	4Q21	B/(W) vs. 4Q20	FY21	B/(W) vs. FY20
Sales	\$5,507	+ 52.6%	\$20,505	+ 34.1%
Adj. gross profit	\$1,198	+ 32.7%	\$4,327	+ 7.3%
Adj. SG&A % of sales	19.2%	+ 5.7%p	18.8%	+ 6.5%p
Adj. operating income	\$140	+ \$129	\$466	+ \$281
Adj. operating margin	2.5%	+ 2.5%p	2.3%	+ 1.2%p

- Significant growth year on year; strong operational execution combined with COVID-19 recovery
 - UK COVID-19 restrictions lifted in mid-July
- Germany wholesale JV provided +43.3% 4Q sales lift, dilutive to adj. operating margin by ~-200bps



Boots UK – financials

4Q21 vs. 4Q20 FY21 vs. FY20 (constant Fx)	4Q	FY21
Pharmacy comp. sales	+ 11.4%	+ 5.2%
Retail comp. sales	+ 15.0%	+ 0.9%

- Pharmacy comp. sales +11.4%; driven by pharmacy services
- 4Q recovery in retail sales
 - Store footfall ~+35% vs. prior year; remains ~-30% below pre-COVID levels (improving from ~-45% in 3Q)
 - Strength in store basket size, up ~+15% vs pre-COVID levels
 - Boots.com sales slowed slightly as customers return to stores; FY21 online sales up +54%
 - Boots growing retail market share, led by beauty



Boots UK operational updates

- **Continued market share gains in beauty**
 - Boots #1 beauty destination with market share >40%
 - Major marketing campaign underpinned strong market share gains
 - 44 new brands launched this fiscal year
 - Implemented 100th beauty reinvention store during the quarter
- **Expanding online and digital capabilities**
 - Boots.com sales have more than doubled versus pre-covid levels
- **Playing a key role in supporting UK COVID-19 response**
 - Nationwide mass testing partnership with NHS; >3m tests to date
 - One of the UK's leading private testing providers, ~700k tests from >200 stores since launch
 - In addition, distributed >2.5m home testing kits on behalf of NHS to date
 - Continued to support NHS vaccination program



Cash flow

\$ in millions	FY21	B/(W) vs. FY20
Operating cash flow	\$5,555	\$70
Cash capital expenditure	(\$1,379)	(\$5)
Free cash flow	\$4,176	\$65

- **FY21 free cash flow grew by +1.6% versus prior year, +12.1% excluding the adverse 4Q impact from the Pharmaceutical Wholesale divestiture**
- **Strong operating performance across key businesses with continued success in optimizing working capital**
- **Free cash flow benefited from one-time COVID-19 related phasing**



Endnotes

- Unless otherwise noted, all prior year numbers have been recast for continuing operations. Refer to WBA's Current Report on Form 8-K filed on March 31, 2021.
- Please see appendix for reconciliations of non-GAAP financial measures and related disclosures
 - The company presents certain information related to current period operating results in “constant currency,” which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.
 - United States segment GAAP results, dollars in millions – 4Q21: gross profit \$6,302; selling general and administrative expenses \$5,347; SG&A as a percent of sales 18.6%; operating income \$1,011; and operating margin 3.3%, excluding equity earnings in AmerisourceBergen.YTD21: gross profit \$23,736; selling general and administrative expenses \$20,042; SG&A as a percent of sales 17.9%; operating income \$2,554; and operating margin 3.3% excluding equity earnings in AmerisourceBergen.
 - International segment GAAP results on a reported currency basis, dollars in millions – 4Q21: gross profit \$1,198; selling general and administrative expenses \$1,152; SG&A as a percent of sales 20.9%; operating income \$46; and operating margin 0.8%. In 4Q21 compared to prior year quarter, on a reported currency basis, the segment's sales increased 61.8%; operating income recovered \$176 million; and operating margin increased 4.7%. FY21: gross profit \$4,328; selling general and administrative expenses \$4,101; SG&A as a percent of sales 20.0%; operating income \$227; and operating margin 1.1%. In FY21 compared to prior year period, on a reported currency basis, the segment's sales increased 43.6%; operating income recovered \$2.3 billion; and operating margin increased to 15.7%.
 - Adjusted gross margin is a non-GAAP financial measure defined as adjusted gross profit by business unit divided by sales by business unit. Adjusted gross profit is a non-GAAP financial measure defined as gross profit by business unit, excluding the impact of costs associated with Store damage and inventory losses, Transformational cost management, LIFO provision, Store optimization and Acquisition-related amortization. The company is providing comparative data relating to these non-GAAP financial measures to provide investors with additional perspective and insights when analyzing the core operating performance of the business units from period to period.
- Net earnings, net earnings per common share – diluted figures are attributable to Walgreens Boots Alliance, Inc.
- For our United States and International segment, comparable sales are defined as sales from stores that have been open for at least twelve consecutive months without closure for seven or more consecutive days, including due to looting or store damage, and without a major remodel or being subject to a natural disaster in the past twelve months as well as e-commerce sales. E-commerce sales include digitally initiated sales online or through mobile applications. Relocated stores are not included as comparable sales for the first twelve months after the relocation. Acquired stores are not included as comparable sales for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable sales, comparable pharmacy sales, comparable retail sales, comparable number of prescriptions and comparable number of 30-day equivalent prescriptions refer to total sales, pharmacy sales, retail sales, number of prescriptions and number of 30-day equivalent prescriptions, respectively. Comparable retail sales for previous periods have been restated to include e-commerce sales. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods. With respect to the International division, comparable sales, comparable pharmacy sales and comparable retail sales, are presented on a constant currency basis, which is a non-GAAP financial measure. Refer to the discussion above for further details on constant currency calculations.
- United States Pharmacy prescriptions (including vaccination) are reported on a 30-day equivalent basis.
- Prescription market share information is an estimate derived from the use of information under license from the following IQVIA information service: IQVIA Prescription Services as of August 31, 2021 and includes prescriptions filled at stores acquired from Rite Aid from and after the cutover date. IQVIA expressly reserves all rights, including rights of copying, distribution and republication.
- United States retail refill scripts initiated via digital channel is inclusive of prescriptions filled at Walgreens and Duane Reade.
- Boots UK retail market share insights, where quoted, as of September 4, 2021.
- Working capital includes changes in the following operating assets and liabilities: accounts receivable net; inventories; other current assets; trade accounts payable; and accrued expenses and other liabilities.
- Digitally initiated sales include online orders and mobile application purchases of retail products, photo and digital scripts, including Save a Trip refills.
- Store gross margin is defined as sales less the direct product costs (including an allocation for variable supply chain costs and promotional scanning allowances) divided by sales.



Appendix

The information on the following pages provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation and discussed on the related conference call to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). The company has provided the non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. Please refer to the notes to the “Net Earnings and Diluted Net Earnings (Loss) Per Share” reconciliation table on slide 22 for definitions of non-GAAP financial measures and related adjustments presented in this presentation. These supplemental non-GAAP financial measures are presented because management has evaluated the company’s financial results both including and excluding the adjusted items or the effects of foreign currency translation, as applicable, and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the company’s business from period to period and trends in the company’s historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented in the presentation. The company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis (including the information related to fiscal year 2022 guidance) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company’s control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.

The company considers certain metrics, including all comparable metrics, number of prescriptions, number of 30-day equivalent prescriptions and number of locations at period end, to be key performance indicators because the company's management has evaluated its results of operations using these metrics and believes that these key performance indicators presented provide additional perspective and insights when analyzing the core operating performance of the company from period to period and trends in its historical operating results. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein. These measures may not be comparable to similarly-titled performance indicators used by other companies.

Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and twelve months ended August 31, 2021.

Certain assumptions and supplemental information

Unless otherwise indicated or the context otherwise requires:

- *This presentation assumes constant currency exchange rates after the date hereof based on current rates; and*
- *All financial estimates and goals assume constant currency exchange rates after the date hereof based on current rates and no major mergers, acquisitions, divestitures or strategic transactions.*

References in this presentation to the “company,” “we,” “us” or “our” refer to Walgreens Boots Alliance, Inc. and its subsidiaries, and do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires. Our fiscal year ends on August 31, and references herein to “fiscal 2021” refer to our fiscal year ended August 31, 2021.



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)
(in millions)

NET EARNINGS

	Three months ended August 31,		Change vs. 4Q20		Twelve months ended August 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
Net Earnings From Continuing Operations (GAAP)	\$ 358	\$ 337	\$ 21	6.2 %	\$ 1,994	\$ 180	\$ 1,814	NM
Adjustments to operating income (loss):								
Adjustments to equity earnings in AmerisourceBergen ¹	70	49			1,645	97		
Acquisition-related amortization ²	156	94			523	384		
Transformational cost management ³	79	212			417	719		
Certain legal and regulatory accruals and settlements ⁴	15	—			75	—		
Acquisition-related costs ⁵	29	24			54	315		
Impairment of goodwill and intangible assets ⁶	49	15			49	2,016		
LIFO provision ⁷	(73)	6			13	95		
Store damage and inventory losses ⁸	—	(7)			—	68		
Store optimization ³	—	5			—	53		
Total adjustments to operating income	325	398			2,775	3,747		
Adjustments to other income (expense):								
Net investment hedging (gain) loss ⁹	2	(4)			8	(11)		
Impairment of equity method investment	—	—			—	71		
Gain on sale of equity method investment ¹⁰	—	—			(290)	(1)		
Total adjustments to other income	3	(4)			(281)	59		
Adjustments to interest expense (income), net:								
Early debt extinguishment ¹¹	(5)	—			414	—		
Total adjustments to interest expense (income), net	(5)	—			414	—		



NM- Not meaningful. Percentage increases/decreases when one period includes income and other period includes loss are considered not meaningful.

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Refer to safe harbor and non-GAAP on page 2 and endnotes on page 17

Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)
(in millions)

NET EARNINGS

	Three months ended August 31,		Change vs. 4Q20		Twelve months ended August 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
Adjustments to income tax provision:								
UK tax rate changes ¹²	378	139			378	139		
U.S. tax law changes ¹²	—	—			—	(6)		
Equity method non-cash tax ¹²	8	8			(161)	60		
Tax impact of adjustments ¹²	(38)	(84)			(283)	(433)		
Total adjustments to income tax provision	348	64			(65)	(240)		
Adjustments to post tax equity earnings from other equity method investments:								
Adjustments to equity earnings in other equity method investments ¹³	17	8			(504)	54		
Total adjustments to post tax equity earnings from other equity method investments	17	8			(504)	54		
Adjustments to net (loss) attributable to noncontrolling interests:								
Acquisition-related amortization ²	(30)	(4)			(75)	(4)		
Transformational cost management ³	(2)	(10)			1	(10)		
Impairment of goodwill and intangible assets ⁶	—	—			—	(14)		
LIFO provision ⁷	5	(1)			(2)	(1)		
Total adjustments to net (loss) attributable to noncontrolling interests	(27)	(15)			(77)	(29)		
Adjusted net earnings attributable to Continuing Operations (Non-GAAP measure)	\$ 1,019	\$ 786	\$ 233	29.6 %	\$ 4,256	\$ 3,772	\$ 484	12.8 %

Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)

(in millions)

NET EARNINGS

	Three months ended August 31,		Change vs. 4Q20		Twelve months ended August 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations (GAAP)	\$ 268	\$ 36	\$ 232	NM	\$ 548	\$ 277	\$ 271	97.8 %
Acquisition-related amortization ²	—	19			28	76		
Transformational cost management ³	—	58			1	73		
Acquisition-related costs ⁵	44	1			92	1		
Gain on disposal of discontinued operations	(322)	—			(322)	—		
Tax impact of adjustments ¹²	10	(14)			(6)	(25)		
Total adjustments to net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations	\$ (268)	\$ 64			\$ (206)	\$ 126		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations (Non-GAAP measure)	\$ —	\$ 100	\$ (100)	(100.0)%	\$ 342	\$ 403	\$ (61)	(15.1)%
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. - (Non-GAAP measure)	\$ 1,019	\$ 887	\$ 132	14.9 %	\$ 4,598	\$ 4,175	\$ 423	10.1 %



NM- Not meaningful. Percentage increases/decreases when one period includes income and other period includes loss are considered not meaningful.

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Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)
(in millions)

DILUTED NET EARNINGS (LOSS) PER SHARE

	Three months ended August 31,		Change vs. 4Q20		Twelve months ended August 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
Diluted net earnings per common share - continuing operations (GAAP)	\$ 0.41	\$ 0.39	\$ 0.02	5.1 %	\$ 2.30	\$ 0.20	\$ 2.10	NM
Adjustments to operating income	0.38	0.46			3.20	4.26		
Adjustments to other income (expense)	—	—			(0.32)	0.07		
Adjustments to interest expense (income), net	(0.01)	—			0.48	—		
Adjustments to income tax provision (benefit)	0.40	0.07			(0.08)	(0.27)		
Adjustments to earnings from other equity method investments ¹³	0.02	0.01			(0.58)	0.06		
Adjustments to net earnings (loss) attributable to noncontrolling interests	(0.03)	(0.02)			(0.09)	(0.03)		
Adjusted diluted net earnings per common share - continuing operations (Non-GAAP measure)	\$ 1.17	\$ 0.91	\$ 0.26	28.6 %	\$ 4.91	\$ 4.28	\$ 0.63	14.7 %
Diluted net earnings per common share - discontinued operations (GAAP)	0.31	0.04	\$ 0.27	NM	0.63	0.31	\$ 0.32	NM
Total adjustments to net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations	(0.31)	0.07			(0.24)	0.14		
Adjusted diluted net earnings per common share - discontinued operations (Non-GAAP measure)	—	0.12	\$ (0.12)	(100.0)%	\$ 0.39	\$ 0.46	\$ (0.07)	(15.2)%
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.17	\$ 1.02	\$ 0.15	14.7 %	\$ 5.31	\$ 4.74	\$ 0.57	12.0 %
Weighted average common shares outstanding, diluted (in millions)	867.2	867.1			866.4	880.3		



NM- Not meaningful. Percentage increases/decreases when one period includes income and other period includes loss are considered not meaningful.

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Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries

Supplemental Information (unaudited)

(in millions)

- 1 Adjustments to equity earnings (loss) in AmerisourceBergen consist of the Company's proportionate share of non-GAAP adjustments reported by AmerisourceBergen consistent with the Company's non-GAAP measures. The Company recognized equity losses in AmerisourceBergen of \$1,373 million during the three months ended November 30, 2020. These equity losses are primarily due to AmerisourceBergen's recognition of \$5.6 billion, net of tax, charges related to its ongoing opioid litigation in its financial statements for the three months period ended September 30, 2020.
- 2 Acquisition-related amortization includes amortization of acquisition-related intangible assets and inventory valuation adjustments. Amortization of acquisition-related intangible assets includes amortization of intangibles assets such as customer relationships, trade names, trademarks and contract intangibles. Intangible asset amortization excluded from the related non-GAAP measure represents the entire amount recorded within the Company's GAAP financial statements. The revenue generated by the associated intangible assets has not been excluded from the related non-GAAP measures. Amortization expense, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised. These charges are primarily recorded within selling, general and administrative expenses. Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of the inventory reflects cost of acquired inventory and a portion of the expected profit margin. The acquisition-related inventory valuation adjustments exclude the expected profit margin component from cost of sales recorded under the business combination accounting principles.
- 3 Transformational Cost Management Program and Store Optimization Program charges are costs associated with a formal restructuring plan. These charges are primarily recorded within selling, general and administrative expenses. These costs do not reflect current operating performance and are impacted by the timing of restructuring activity.
- 4 Certain legal and regulatory accruals and settlements relate to significant charges associated with certain legal proceedings. The Company excludes these charges when evaluating operating performance because it does not incur such charges on a predictable basis and exclusion of such charges enables more consistent evaluation of the Company's operating performance. These charges are recorded within selling, general and administrative expenses.
- 5 Acquisition-related costs are transaction and integration costs associated with certain merger, acquisition and divestitures related activities. These costs include all charges incurred on certain mergers, acquisition and divestitures related activities, for example, including costs related to integration efforts for successful merger, acquisition and divestitures activities. These charges are primarily recorded within selling, general and administrative expenses. These costs are significantly impacted by the timing and complexity of the underlying merger, acquisition and divestitures related activities and do not reflect the Company's current operating performance.
- 6 Goodwill and intangible assets arising from acquisition related activities are recorded by the Company following the analysis to determine the fair value of consideration paid and the assignment of fair values to all tangible and intangible assets acquired. Impairment of goodwill and intangible assets do not relate to the ordinary course of the Company's business. The Company excludes these charges when evaluating operating performance because it does not incur such charges on a predictable basis and exclusion of such charges enables more consistent evaluation of the Company's operating performance. These charges are recorded within selling, general and administrative expenses.
- 7 The Company's United States segment inventory is accounted for using the last-in-first-out ("LIFO") method. This adjustment represents the impact on cost of sales as if the United States segment inventory is accounted for using first-in first-out ("FIFO") method. The LIFO provision is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences. Therefore, the Company cannot control the amounts recognized or timing of these items.
- 8 Store damage and inventory losses as a result of looting in the U.S., net of insurance recoveries.
- 9 Gain or loss on certain derivative instruments used as economic hedges of the Company's net investments in foreign subsidiaries. These charges are recorded within other income (expense). We do not believe this volatility related to mark-to-market adjustment on the underlying derivative instruments reflects the Company's operational performance.
- 10 Includes significant gain on sale of equity method investment. During the fiscal year ended August 31, 2021, the Company recorded a gain of \$290 million in Other income due to a partial sale of ownership interests in Option Care Health by the Company's equity method investee HC Group Holdings.
- 11 Loss on early extinguishment of debt related to the Company's cash tender offers to partially purchase and retire \$3.3 billion of long term U.S. denominated notes. The Company excludes these charges to enable a more consistent evaluation of the Company's financial performance.
- 12 Adjustments to income tax provision include adjustments to the GAAP basis tax provision commensurate with non-GAAP adjustments and certain discrete tax items including tax law changes and equity method non-cash tax. These charges are recorded within income tax provision (benefit).
- 13 Adjustments to post tax equity earnings from other equity method investments consist of the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP adjustments. These charges are recorded within post tax earnings (loss) from other equity method investments. Although the Company may have shareholder rights and board representation commensurate with its ownership interests in these equity method investees, adjustments



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)
(in millions)

	Three months ended August 31, 2021			
	United States ¹	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 28,755	\$ 5,507	\$ —	\$ 34,262
Gross profit (GAAP)	\$ 6,302	\$ 1,198	\$ 3	\$ 7,503
Acquisition-related amortization	5	—	—	5
Transformational cost management	—	—	—	—
LIFO provision	(73)	—	—	(73)
Adjusted gross profit (Non-GAAP measure)	\$ 6,234	\$ 1,198	\$ 3	\$ 7,436
Selling, general and administrative expenses (GAAP)	\$ 5,347	\$ 1,152	\$ 150	\$ 6,649
Acquisition-related amortization	(132)	(18)	—	(151)
Transformational cost management	(66)	(12)	(2)	(80)
Certain legal and regulatory accruals and settlements	(15)	—	—	(15)
Acquisition-related costs	(4)	(16)	(9)	(29)
Impairment of goodwill and intangible assets	—	(49)	—	(49)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 5,131	\$ 1,057	\$ 138	\$ 6,326
Operating income (loss) (GAAP)	\$ 1,011	\$ 46	\$ (147)	\$ 910
Adjustments to equity earnings (loss) in AmerisourceBergen	70	—	—	70
Acquisition-related amortization	137	18	—	156
Transformational cost management	66	11	2	79
Certain legal and regulatory accruals and settlements	15	—	—	15
Acquisition-related costs	4	16	9	29
Impairment of goodwill and intangible assets	—	49	—	49
LIFO provision	(73)	—	—	(73)
Adjusted operating income (loss) (Non-GAAP measure)	\$ 1,230	\$ 140	\$ (135)	\$ 1,236
Gross margin (GAAP)	21.9 %	21.8 %		21.9 %
Adjusted gross margin (Non-GAAP measure)	21.7 %	21.8 %		21.7 %
Selling, general and administrative expenses percent to sales (GAAP)	18.6 %	20.9 %		19.4 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.8 %	19.2 %		18.5 %
Operating margin (GAAP) ²	3.3 %	0.8 %		2.5 %
Adjusted operating margin (Non-GAAP measure) ²	3.8 %	2.5 %		3.2 %



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)

Three months ended August 31, 2020

	(in millions)			
	United States ¹	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 26,967	\$ 3,403	\$ —	\$ 30,371
Gross profit (GAAP)	\$ 5,486	\$ 838	\$ —	\$ 6,324
Transformational cost management	(1)	(1)	—	(2)
LIFO provision	6	—	—	6
Store damages and inventory losses	(6)	—	—	(6)
Adjusted gross profit (Non-GAAP measure)	\$ 5,485	\$ 837	\$ —	\$ 6,322
Selling, general and administrative expenses (GAAP)	\$ 4,736	\$ 968	\$ 69	\$ 5,773
Acquisition-related amortization	(77)	(17)	—	(94)
Transformational cost management	(109)	(96)	(9)	(213)
Acquisition-related costs	(12)	(4)	(8)	(24)
Impairment of goodwill and intangible assets	—	(15)	—	(15)
Store damages and inventory losses	2	—	—	2
Store optimization	(5)	—	—	(5)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,535	\$ 836	\$ 52	\$ 5,423
Operating income (GAAP)	\$ 807	\$ (130)	\$ (69)	\$ 608
Adjustments to equity earnings (loss) in AmerisourceBergen	49	—	—	49
Acquisition-related amortization	77	17	—	94
Transformational cost management	108	95	9	211
Acquisition-related costs	12	4	8	24
Impairment of goodwill and intangible assets	—	15	—	15
LIFO provision	6	—	—	6
Store optimization	5	—	—	5
Store damages and inventory losses	(7)	—	—	(7)
Adjusted operating income (Non-GAAP measure)	\$ 1,057	\$ 2	\$ (52)	\$ 1,006
Gross margin (GAAP)	20.3 %	24.6 %		20.8 %
Adjusted gross margin (Non-GAAP measure)	20.3 %	24.6 %		20.8 %
Selling, general and administrative expenses percent to sales (GAAP)	17.6 %	28.4 %		19.0 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	16.8 %	24.6 %		17.9 %
Operating margin (GAAP) ²	2.8 %	(3.8)%		1.8 %
Adjusted operating margin (Non-GAAP measure) ²	3.5 %	— %		3.0 %

Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)
(in millions)

	Twelve months ended August 31, 2021			
	United States ¹	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 112,005	\$ 20,505	\$ —	\$ 132,509
Gross profit (GAAP)	\$ 23,736	\$ 4,328	\$ 4	\$ 28,067
Transformational cost management	—	(2)	—	(1)
Acquisition-related amortization	11	—	—	11
LIFO provision	13	—	—	13
Adjusted gross profit (Non-GAAP measure)	\$ 23,759	\$ 4,327	\$ 4	\$ 28,089
Selling, general and administrative expenses (GAAP)	\$ 20,042	\$ 4,101	\$ 442	\$ 24,586
Acquisition-related amortization	(438)	(75)	—	(512)
Transformational cost management	(279)	(93)	(46)	(418)
Certain legal and regulatory accruals and settlements	(75)	—	—	(75)
Acquisition-related costs	(6)	(24)	(24)	(54)
Impairment of goodwill and intangible assets	—	(49)	—	(49)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 19,245	\$ 3,861	\$ 372	\$ 23,477
Operating income (loss) (GAAP)	\$ 2,554	\$ 227	\$ (439)	\$ 2,342
Adjustments to equity earnings (loss) in AmerisourceBergen	1,645	—	—	1,645
Acquisition-related amortization	448	75	—	523
Transformational cost management	279	91	46	417
Certain legal and regulatory accruals and settlements	75	—	—	75
Acquisition-related costs	6	24	24	54
Impairment of goodwill and intangible assets	—	49	—	49
LIFO provision	13	—	—	13
Adjusted operating income (Non-GAAP measure)	\$ 5,019	\$ 466	\$ (368)	\$ 5,117
Gross margin (GAAP)	21.2 %	21.1 %		21.2 %
Adjusted gross margin (Non-GAAP measure)	21.2 %	21.1 %		21.2 %
Selling, general and administrative expenses percent to sales (GAAP)	17.9 %	20.0 %		18.6 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.2 %	18.8 %		17.7 %
Operating margin (GAAP) ²	3.3 %	1.1 %		2.6 %
Adjusted operating margin (Non-GAAP measure) ²	4.0 %	2.3 %		3.5 %



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)

Twelve months ended August 31, 2020

(in millions)

	United States ¹	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 107,701	\$ 14,281	\$ —	\$ 121,982
Gross profit (GAAP)	\$ 22,302	\$ 3,774	\$ 2	\$ 26,078
Transformational cost management	3	2	—	5
Acquisition-related costs	67	—	—	67
LIFO provision	95	—	—	95
Store damage and inventory losses	54	—	—	54
Store optimization	1	—	—	1
Adjusted gross profit (Non-GAAP measure)	\$ 22,523	\$ 3,776	\$ 2	\$ 26,301
Selling, general and administrative expenses (GAAP)	\$ 19,331	\$ 5,863	\$ 241	\$ 25,436
Acquisition-related amortization	(309)	(75)	—	(384)
Transformational cost management	(495)	(179)	(40)	(714)
Acquisition-related costs	(229)	(6)	(12)	(248)
Impairment of goodwill and intangible assets	(32)	(1,984)	—	(2,016)
Store damage and inventory losses	(13)	—	—	(13)
Store optimization	(52)	—	—	(52)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 18,199	\$ 3,619	\$ 189	\$ 22,008
Operating income (loss) (GAAP)	\$ 3,312	\$ (2,090)	\$ (239)	\$ 982
Adjustments to equity earnings (loss) in AmerisourceBergen	97	—	—	97
Acquisition-related amortization	309	75	—	384
Transformational cost management	498	182	40	719
Acquisition-related costs	296	6	12	315
Impairment of goodwill and intangible assets	32	1,984	—	2,016
LIFO provision	95	—	—	95
Store damage and inventory losses	68	—	—	68
Store optimization	53	—	—	53
Adjusted operating income (Non-GAAP measure)	\$ 4,761	\$ 157	\$ (187)	\$ 4,730
Gross margin (GAAP)	20.7 %	26.4 %		21.4 %
Adjusted gross margin (Non-GAAP measure)	20.9 %	26.4 %		21.6 %
Selling, general and administrative expenses percent to sales (GAAP)	17.9 %	41.1 %		20.9 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	16.9 %	25.3 %		18.0 %
Operating margin (GAAP) ²	2.8 %	(14.6)%		0.5 %
Adjusted operating margin (Non-GAAP measure) ²	4.0 %	1.1 %		3.5 %



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries

Supplemental Information (unaudited)

(in millions)

- 1 Operating income (loss) for United States includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and twelve month period ended August 31, 2021 includes AmerisourceBergen equity earnings (loss) for the period of April 1, 2021 through June 30, 2021 and the period of July 1, 2020 through June 30, 2021, respectively. Operating income (loss) for the three and twelve month period ended August 31, 2020 includes AmerisourceBergen equity earnings for the period of April 1, 2020 through June 30, 2020, and the period of July 1, 2019 through June 30, 2020, respectively.
- 2 Operating margins and adjusted operating margins have been calculated excluding equity earnings (loss) in AmerisourceBergen and adjusted equity earnings (loss) in AmerisourceBergen, respectively.



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)
(in millions)

EQUITY EARNINGS (LOSS) IN AMERISOURCEBERGEN

	Three months ended August 31,		Twelve months ended August 31,	
	2021	2020	2021	2020
Equity earnings (loss) in AmerisourceBergen (GAAP)	\$ 56	\$ 57	\$ (1,139)	\$ 341
Litigation settlements and other	63	12	1,643	70
Acquisition-related amortization	38	29	127	120
New York State Opioid Stewardship Act	—	—	3	—
Asset Impairment	—	—	3	75
Certain discrete tax benefits	—	—	—	(206)
PharMEDium remediation costs	—	3	—	16
Loss on early retirement of debt	—	5	—	5
Purchase price contingency - Profarma reversal	—	—	—	(3)
Non-controlling interest	—	(1)	(1)	1
Anti-Trust	(37)	—	(37)	(2)
Tax reform	37	—	(46)	—
LIFO provision	(31)	1	(48)	21
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 126	\$ 106	\$ 505	\$ 437



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)

(in millions)

ADJUSTED EFFECTIVE TAX RATE

	Three months ended August 31, 2021			Three months ended August 31, 2020		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 908	\$ 586	64.6%	\$ 502	\$ 210	41.9%
Impact of non-GAAP adjustments	324	61		393	(84)	
Equity method non-cash tax	—	(8)		—	8	
UK tax rate change	—	(378)		—	139	
Adjusted tax rate true-up	—	(23)		—	—	
Subtotal	\$ 1,231	\$ 239		\$ 896	\$ 147	
Exclude adjusted equity earnings in AmerisourceBergen	(126)	—		(106)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 1,105	\$ 239	21.7%	\$ 789	\$ 147	18.6%

ADJUSTED EFFECTIVE TAX RATE

	Twelve months ended August 31, 2021			Twelve months ended August 31, 2020		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 1,995	\$ 667	33.4%	\$ 446	\$ 339	76.0%
Impact of non-GAAP adjustments	2,908	279		3,807	(433)	
U.S. tax law changes	—	—		—	(6)	
Equity method non-cash tax	—	161		—	60	
UK tax rate change	—	(378)		—	139	
Subtotal	\$ 4,903	\$ 733		\$ 4,253	\$ 579	
Exclude adjusted equity earnings in AmerisourceBergen	(505)	—		(437)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 4,398	\$ 733	16.7%	\$ 3,816	\$ 579	15.2%



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries

Supplemental Information (unaudited)

(in millions)

FREE CASH FLOW

	Three months ended August 31,		Twelve months ended August 31,	
	2021	2020	2021	2020
Net cash provided by operating activities (GAAP)	\$ 1,245	\$ 2,086	\$ 5,555	\$ 5,484
Less: Additions to property, plant and equipment	(378)	(411)	(1,379)	(1,374)
Free cash flow - (Non-GAAP measure)¹	\$ 867	\$ 1,675	\$ 4,176	\$ 4,111

¹ Free cash flow is defined as net cash provided by operating activities in a period less additions to property, plant and equipment (capital expenditures) made in that period. This measure does not represent residual cash flows available for discretionary expenditures as the measure does not deduct the payments required for debt service and other contractual obligations or payments for future business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our entire statements of cash flows.

